



Press Statement By African Life Financial Services Zambia (Aflife)

Continued Attacks and Unwarranted Publicity by Some Sections of the Media

We have noted with utmost concern, continued and unsubstantiated allegations from sections of the media since 2016. The latest case was the recent article relating to the supposed ex-miners of KCM Pension Trust Fund Plc, the allegations therein and reactions by some sections of the media implicating us in this matter. Further reference is made to the press statement by the trustees of Saturnia Regna Pension Fund (Saturnia) which provided the facts in dispute of the allegations by the supposed ex-miners.

If one takes a timeline of the stories relating to Aflife, and despite public statements we have made to refute all allegations as baseless in fact and at law, a consistent pattern of allegations and narratives begins to emerge:

- The shareholding of Aflife being narrated as shadowy and irregular
- Conflict of interest in the fund management and fund administration of Saturnia
- Alleged governance issues relating to Saturnia, which place the service providers at the heart of the alleged irregularities
- Conflation of the 1990's privatisation programme and Aflife's emergence as a pre-eminent service provider
- Failure to honour pension obligations thus depriving pensioners of their hard-earned money

Because we are a highly regulated business which thrives on transparency and trust, we wish to refute the allegations and narratives by adequately providing context and facts to these matters:

Shareholding of Aflife

Aflife has its roots steeped in the operations of Anglo-American Corporation (Anglo) in Zambia, when in 1992 a division was created to manage the pensions of Anglo's subsidiaries under a pooled fund called Saturnia Regna Pension Fund.

- With time the division became a subsidiary, ACCA Management Services Limited (AMSL) under the Financial Services division of Anglo.
- In furtherance of its business objectives AMSL grew its client base, first by admitting other non-Anglo companies into Saturnia and secondly by acquiring other clients independent of Saturnia (segregated funds).
- In 2000, as Anglo was preparing to exit Zambia, 50% of AMSL was sold to African Life Assurance of South Africa, through their Botswana subsidiary, Botswana Insurance Fund Managers (BIFM). The name was subsequently changed to Aflife.
- In 2004, Anglo exited Aflife and BIFM increased its stake to 70% while Menel Management Services (Menel), a consortium of local Zambians backed the senior management of Aflife and acquired a 30% stake.
- Due to changes in the Pension Scheme Regulation Act, which required pension fund service providers to be majority Zambian-owned, the local consortium increased its stake to 51% and BIFM diluted to 49%.
- BIFM is 100% owned by BIHL, which is listed on the Botswana Stock Exchange and is majority owned by the Sanlam Group, itself being the largest insurance and investment group in South Africa and is listed on the Johannesburg Stock Exchange.

So as it stands currently, Aflife is majority owned by Zambians and in addition to Saturnia, its client base cuts across all sectors of the Zambian economy and has established itself through the years as the leading fund manager with a significant share of the pension fund management market. This is testament to its promise to deliver value to its clients, in pursuit of their objectives of a secured retirement through a pension. The law as it currently stands only requires that the majority of shares in pension service providers should be Zambian entities or citizens; it therefore does not preclude any Zambian from owning shares.

Pension Fund Management and Pension Fund Administration in Zambia

As it emerged out of Anglo and AMSL, Aflife had capabilities and was set up to manage both the investment of pension fund assets and the administration of pension records (a composite mandate). This continued until a strategic decision was taken in 2012 to separate the business into two companies; Benefits Consulting Services (BenCon) to focus on pension administration while Aflife focused on investment management. The two companies, while they have maintained identical shareholders in line with the 51%/49% shareholding required by law, are run by different management teams and are also overseen by different boards of directors.

- It is very important to mention that the Pension Scheme Regulation Act provides for the appointment of a fund manager and a fund administrator for a pension fund. It does not prescribe that the service providers should separate as Aflife and BenCon have done.
- The Pensions and Insurance Authority (PIA), the regulator of pensions in Zambia, recently issued guidelines (which will take effect on 1 January 2021) which will require separate management teams and systems in situations where a service provider is registered to provide both fund management and fund administration. As alluded above, Aflife and BenCon are already in compliance with that directive; not only do they have separate management teams and systems, there have separate boards of directors. There is no requirement for independent shareholding in the service providers.
- For both BenCon and Aflife, although they have common clients in the normal course of business, there are cases where trustees have made different choices of service providers (Aflife paired with other administrators and BenCon paired with other investment managers). Ultimately it is the trustees who make the decision to hire or disengage service providers, after taking into account a variety of factors including the capability and capacity to help them to meet their objectives on behalf of their members.

Therefore, in fact and in practice, a single entity can apply for both licences and manage both the administration and investments of a pension fund. Where the industry is at with regards to this issue reflects its evolution from an initial position

of composite mandates. Stakeholders and the public at large are encouraged to visit the website of the PIA, where the names of approved service providers for both pension administration and fund management are listed so that they can draw their own conclusions.

Alleged Governance Issues Relating to Saturnia and the Role of Service Providers

We thank the Trustees of Saturnia who responded timely to the allegations by the supposed ex-miners of KCM; their statement does not need qualification as it was very clear and it dealt with the facts in disputing the allegations made. As alluded in the past and above, we are proud to be associated with Saturnia and its growth over the years to become the largest and most diversified multi-employer pension fund in Zambia. Its record of governance, which predates the enactment of pension legislation and despite the unwarranted attacks from some sections of the media, stands as a model for other pensions funds to emulate. As the fund's service providers, we can attest that the fund has met all its statutory obligations and is in good standing with its regulators. In the business of a pension fund, the primary stakeholders are its members and the trustees whom they elect to preside over the affairs of the fund. Matters of the fund - its financial position, risks that it faces, relationship with third party service providers among others - are deliberated upon and where necessary resolutions are passed during annual general meetings (AGM). It is in this context that matters like the KPMG audit that was commissioned by the then Minister of Finance in 2017 were deliberated and closed. Information relating to the activities of any pension fund is available to its stakeholders as well as through the statutory bodies to which they are accountable by law.

Conflation of the 1990s Privatisation and the Pre-eminence of Aflife as a Service Provider

As has been demonstrated, the history of Aflife predates the privatisation era. Its evolution into the largest private pension fund manager in Zambia was not an overnight phenomenon, but a trajectory of calculated steps of building capacity, competence and relationships. As we have articulated in our engagements with our stakeholders, our leadership of the market is not something we have taken for granted. We are grateful to all our clients, our international partners and our regulators for the roles they have played in our growth. Through these partnerships Aflife continues to provide best in class service and innovative products relevant to both our retail and institutional clients. This growth cannot be linked to a particular 'era' but has been cumulative in line with the growth in the Zambian economy.

Failure to Honour Obligations Due to Pensioners

Our obligations to our clients and to the administrators who represent our clients are governed by service level agreements (SLAs) which stipulate the expectation of our clients on key deliverables including providing funding to meet claims by members. Our planning and subsequent investment choices take into account the needs of our clients to withdraw their funds when the need arises. We can confirm that we have not failed to honour client obligations at any given time. We are however aware that there have been allegations that we did not honour or that we withheld payments – this arises from would be claimants not understanding the role of the fund manager in the claims settlement cycle. We as fund managers do not manage the records of members – we only provide funding when we are requested to do so by the various administrators we work with, who in turn settle the claims.

Conclusion

As already confirmed, Aflife operates in a highly regulated environment, and therefore a narrative of an organisation which operates outside the law or makes its own law cannot be sustained in such an environment. The business of pensions, as with any other business where an obligation is placed on one party to act in trust, thrives only on that one commodity – trust. In an industry which is still very nascent relative to its regional peers, it is important that for the sake of the industry, we build this trust among stakeholders rather than continuously peddle unsubstantiated claims. In a regulated environment governed by statutes it is very easy to have access to information so that the keen researcher and reporter can inform their readers based on facts and not hearsay. On the part of Aflife, the facts are as we have articulated in this statement – we hope that this will clarify and give context to the allegations that have been recycled over the years. We would like to thank our clients and other stakeholders, whom we will continue to engage, for their patience.

We use this Press Statement to reassure the public that we have been and will continue to be a law-abiding corporate citizen anchored on a solid relationship with all and every well-meaning stakeholder including pension fund members, the Trustees and sponsoring employers. With this statement we will take any further unfounded negative press articles as unwarranted harassment for which we reserve our right to seek legal recourse.

Issued by:

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